ARLINGTON FINANCE COMMITTEE
MINUTES OF MEETING
7:30PM O'NEIL ROOM COMMUNITY SAFETY BUILDING
4/4/12

ATTENDEES:

Bayer	Padaria*	Jenkins*	White*	McKenna*
DeCourcey*	Connors*	Simmons	Gibian*	
Tosti*	Foskett*	Deyst*	Ronan	
Ferrara*	Beck*	Jones*	Deshler*	
Franclemont*	Howard*	Fanning*	Carman*	Turkall*

* Indicates present

VISITORS: Town Manager Adam Chapdelaine, ACMI

MINUTES: The minutes of 3/28/12 were accepted as corrected. Unanimous

MM TECH: Letter composed by ad hoc subcom (Ref 5) sent to Superintendent on 4/2. A conference call discussion was held. The superintendent will return on 4/11 to hear the full committee.

REVIEW OF WARRANT ARTICLES:

STM ART 2: FY12 BUDGET CHANGES: Chapdelaine used a handout (Ref 1) to give a status report on health care savings and to recommend how they would be used. The projected savings compared to the projections on which the budget was based are $3.5m+. He recommended $640k to projected wage settlements & $1.5m to the Override Stabilization Fund with the rest remaining in free cash. He will provide vote wording. VOTED favorable action. Unanimous.

STM ART 4: MM TECH REPAIRS: Refer to minutes of 2/15. VOTED to revise the vote of 3/15 to $128,996. Unanimous.

STM ART 5 STABILIZATION FUND: NO change needed. VOTED No action.

STM ART 6 COMMUNITY SAFETY BLDG REPAIR: Roof bids much higher than budgeted. PTBC has not made specific request. VOTED will report at Town Meeting. Unanimous

STM ART 7 THOMPSON SCHOOL: Bids were lower than projected. VOTED no action. Unanimous.

STM ART 8 & 9 CONSERVATION FUND: Chapdelaine proposed creating a fund to capture rebates offered by energy providers. This money would be used for expenses that are more like repairs than capital expenses. Members pointed out that many capital expenses offer energy savings. Members questioned this proposal based on whether such rebates could actually be captured since they are more like discounts. Members expressed concern that sequestering revenue for special purposes may distort priorities. A majority favored a trial appropriation from the supplemental local aid revenue but opposed setting up a fund. even with involvement of CPC. VOTED ART 8 $200k. 15-1 VOTED to set up a conservation fund as described in ART 9 adding a requirement to obtain advise and consent of the Capital Planning Committee 4-13. (no action)

STM ART 10 ENFORCEMENT OF RUBBISH COLLECTION No report from FinCom.

ART 65 CEMETERY: VOTED to transfer $150k from a balance of $292k from the Lots & Graves Fund to DPW Cemetery Division as offset. Unanimous.

ART 64 TIP FEE STABILIZATION FUND VOTED to transfer $400k to DPW Solid Waste as an offset. Unanimous.

ART 62 STABILIZATION FUND: VOTED no action. Unanimous.

ART 61 OVERLAY RESERVE: VOTED to appropriate $200k to lower the tax rate.

ART 44 MM TECH RETIREMENT PAYMENTS: Tosti asked, given the CRB's recent memo (Ref 2), should we press the Superintendent on this matter? After some discussion, members thought the issues w/ MM Tech were more important than this payment which was ordered by the court.
ART 38 COLLECTIVE BARGAINING: Has begun.
ART 35 LOCAL OPTION TAXES: No options available. VOTED no action.
ART 34 USE OF ANTENNA FUNDS: These funds now used for parks and playgrounds capital projects. BoS voted to extend agreement. This is another case where revenue is sequestered for a special purpose. After some discussion VOTED no action 4-13. BoS recommendation not challenged.
ART 32 & 33 CONSOLIDATED FINANCE DEPARTMENT: Chapdelaine will recommend to BoS a years delay on this issue. BoS articles.
ART 29, 30, 31: VOTED to support the BoS. Unanimous
ART 26 BUILDING MAINTENANCE COMMITTEE: VOTED to support BoS who plan to set up this committee under their auspices. Unanimous.
ART 23 2nd WATER METERS: Ferrarra recommended no action on several grounds (Ref 3). The BoS voted no action. VOTED no action. Unanimous.
ART 16 TOWN MEETING SESSION START TIME: Members would find it difficult to get to a premeeting before either a 7:00 or a 7:30 start. VOTED no action. 16-1
BUD 23 RETIREMENT: Finance SubCom(Padaria) recommended the budget as printed. Using several documents (Ref 4) he discussed the size and expense of the retirement program. He noted that the OPEB fund had a balance of $4.5m on 3/12. There are 5 people receiving non-contrib pensions. VOTED $7,710,766. 15-0-1.
BUD 10 LEGAL GenGov SubCom(Howard) requested reconsideration to include $1200 longevity for the Town Counsel. VOTED $427,703. Unanimous
BUD 15 ARB GenGov SubCom(Howard) requested reconsideration to delete the maintenance budget for the recently sold Crosby School. VOTED $262,267. Local receipts have already been adjusted.
COMMITTEE: Next meeting Wed 4/11 when House ways & means budget is expected.
RESERVE FUND BALANCE: $618,975.
Peter Howard 4/7/12 Revised 4/11/12
cc FinCom Members, Town Web Site, Robbins Library
Ref 1 Amendments to FY 12 Budget
Ref 2 Memo Greco to Tosti, MM Tech Judgement
Ref 3 Memo Ferrara to FinCom, 2nd Water Meters
Ref 4 Retirement Budget Documnts
Ref 5 Letter FinCom to Superintendent, MM Tech Building Project

Ref 1

1

Finance Committee - 4/4/2012

STM Article #2 - Amendments to FY 2012 Budgets

FY 12 Budgeted Amount**		GIC January 1, 2012
$17,515,425	Former Plans - July - November	$7,172,080
	GIC Current Rates - January - ~~May~~ June	$6,324,000
	Employee Healthcare Mitigation Fund	$500,000
$17,515,425		**$13,996,081**
	Difference	**$3,519,345**
	1% Effective 1/1/12 for FY 12 - Town and School Wide (.5% Dollar Value for FY 12)	**$290,000**
	2% on 9/1/12 for Town Unions	**$350,000**
	Difference	**$2,879,345**

	TM Approved Figure Total Ins. Budget	W/Move to GIC Total Ins. Budget	Recommended Reduction in Insurance Appropriation
Group Health	$17,515,425	$13,996,081	$15,375,426
Federal Medicare Withholding	$725,000	$725,000	$725,000
Flexible Benefit Plan	$800	$800	$800
Recreation Offset	($56,622)	($56,622)	($56,622)
Rink Offset	($57,883)	($57,883)	($57,883)
ERRP Offset	($394,400)	($394,400)	($394,400)
Contr. Retirement Offset	($36,875)	($36,875)	($36,875)
W/S Offset	($770,886)	($770,886)	($770,886)
Group Life	$55,000	$55,000	$55,000
Liability Insurance	$50,000	$50,000	$50,000
Indemnity Insurance	$270,625	$270,625	$270,625
Unemployment Insurance	$293,450	$293,450	$293,450
Workers' Compensation	$490,000	$490,000	$490,000
Muni Building Trust Fund Offset	($20,625)	($20,625)	($20,625)
Total	**$18,063,010**	**$14,543,665**	**$15,923,010**
	Bottom Line Difference	**$3,519,345**	**($1,379,345)**

Health Care Reduction and Projected Distribution

Projected Health Savings	$3,519,345
Projected Wage Settlements	($640,000)
Projected Appropriation to OSF	($1,500,000)
Potential Surplus Remaining	$1,379,345

Ref 2

TO: Allan Tosti, Chairman of the Arlington Finance Committee

FROM: Richard Greco, Arlington Retirement Board Administrator

RE: Minuteman Regional Vocational School Judgment

DATE: February 13, 2012

As the request of the Finance Committee at its February 6, 2012 hearing on the above –captioned matter, I was able to research the past records of the Arlington retirement system and determined that in June of 1984 the amount transferred by Arlington to Minuteman for deductions and interest credited to Minuteman employees during the period from 1973-1984 amounted to $286,027. Broken down that amount constituted $219,918 in employee deductions and $66,119 in earned interest.

During the course of the February 6th hearing, various Fin Com members reviewed the Appeals Court decision and determined that over the 1973-84 period Minuteman paid Arlington a total of $717,740. After deducting the $286,027 repaid by Arlington in 1984 for employee deductions and interest, it was determined that $431,710 was the net amount that Arlington was "overpaid" by Minuteman during the 1973-84 period. It was also cited by Fin Com members that Arlington was able to earn money by its ability to be able to invest $431,710 since 1984.

The records, however, further indicate that the $431,710 that Arlington supposedly had available for investment should be reduced by the following:

- Minuteman actually paid Arlington $632,325 in total appropriations from 1973-84, rather than the $717,740 set forth in the court case. The difference of $ 85,415 resulted from a payment of only half of the appropriation in the year Minuteman left Arlington and established their own retirement system.
- During the 1974-84 period, Arlington paid a Minuteman retiree and the widow of deceased Minuteman employee who died in service a total of $ 8,694 in pension benefits.

- Since the annual appropriation Minuteman paid Arlington varied over the 1973-84 period, three per cent of the average appropriations or a total of $ 20, 551 was allocated by Arlington to Minuteman for the cost of administering the retirement system during that ten year period.
- A total amount of $114,660(85,415, $8,694 and $20,551) deducted from the $431,710 cited above as available for investment reduces this investable amount to $317,050.
- It is estimated that the Arlington retirement system earned an average of 8.47 per cent from 1985 to 2010. Applying that 8.47 percentage to the investable amount $ 317,050 amounts to $671,353 in earned interest to Arlington over twenty-five years and raises the net amount of the Minuteman appropriation to $ 988,403.

However, this surplus of $ 988,403 that Arlington has supposedly enjoyed is reduced to a deficit when the post-1984 expenses that Arlington has incurred, **AND WILL CONTINUE TO INCUR,** as a result of its requirement to administer the Minuteman retirement system from 1973-84.

- The one-time payment of $794,184 to Minuteman as a result of the court judgment.
- A widow of a Minuteman retiree was paid $55,753 in pension and cola benefits until her death in 2001.
- As of 2012, a Minuteman retiree has been paid $46,642 for pension and cola benefits.
- The assessment of liability (38C transfer payments) on behalf of Minuteman retirees resulting from Minuteman's affiliation with Arlington retirement system from 1973-84 has totaled $328,952.
- Going forward, the assessment of liability on behalf Minuteman retirees, resulting its affiliation with Arlington from 1973-84 will be a minimum of $ 59,000 per year.
- Disregarding the $59,000 annual payments due to Minuteman after 2011 the present post-1984 liability by Arlington to Minuteman amounts to $ 1,284,536.
- Applying the $988,403 surplus to the $1, 284,531 post-1984 deficit the net liability to Arlington is $296,128 as of 2011, with a continuing deficit of a minimum of $59,000 annually thereafter.

It is assumed you intend to transmit this Memo to your committee members. If you or they need further information or clarification of the facts set forth in this Memo, please feel free to contact me at 781-316-3371.

Ref 3

Memo

To: Arlington Finance Committee

From: Ryan Ferrara

CC: Michael Rademacher, Director of Public Works

Date: March 21, 2012

Re: Article 23 Second Water Meters

The Finance Committee is being asked to consider the establishment of a second water meter program via warrant Article 23. According to the proponent, this proposal would allow homeowners to install a 2nd water meter in their homes for non-domestic water usage. Water not discarded into the sewage system will not be charged to the homeowner via a sewer charge. Examples of non-domestic water usage cited include water used for lawns, gardens, pools and washing cars etc.

The attached October 6, 2011 memorandum from the Director of Public Works recommends to the Town Manager that the town maintain the current policy not to allow separate irrigation meters. Primary reasons cited against establishing a second meter program include:

- The water system is designed to provide water for peak capacity - non-essential water use is often the most expensive to provide.
- Users who refrain from installing second meters will also have non-essential use but have no means to receive a discount.
- Second water meters allow for users to avoid being charged for sewer use. Sewer rates would need to be adjusted to transfer costs from those who utilize second water meters to those who do not to make up for the loss of sewer revenue.

As the Finance Committee representative responsible for reviewing the water and sewer budget, I concur with Director Rademacher's concerns regarding the establishment of a second meter program and add the following points:

- While the proponent has responded to concerns expressed by the Finance Committee regarding potential withdrawals after the second water meter for indoor water use by explicitly restricting the practice within the proposed warrant article, the possibility of homeowner reconfiguring their plumbing to avoid paying sewer charges remains.

- The Massachusetts Executive Office of Environmental Affairs and Water Resources Commission published a joint Water Conservation Standards document in July 2006. Specific comments related to outdoor water use include:
  - ✓ To promote water conservation, communities and water suppliers should consider rate structures that encourage reduction of nonessential water use. Generally nonessential uses are defined as those activities not required: (a) for health or safety reasons; (b) by regulation; (c) for agricultural production; (d) for the maintenance of livestock; or (e) to meet the core functions of a business. (P17)
  - ✓ Adopting higher water rates in the summer should be strongly considered as this directly addresses peak water use. (P15)
  - ✓ Minimize use of Potable Water and Groundwater for Lawn Irrigation - ...Communities should strive to avoid application of potable drinking water for lawn irrigation purposes. (P 26)

  Arlington has been named a "Green Community" by the state committing to reducing energy, encouraging renewable energy projects and utilizing fuel efficient vehicles. Instituting a second meter program sends a clear price signal to customers encouraging water use for nonessential purposes.

- MWRA sewer charges are 77.1% of the total FY12 Arlington sewer budget. Of that charge, 47% is based on population and 53% is based on flow. Population is a fixed cost. The flow charge is based on the meter measurements at the town borders. In calendar year 2010, illegal connections into the sewer system (inflow) and groundwater seeping into the sewer system (infiltration) contributed an estimated 51.8% of the collective flow: 47% population + 27.5% (infiltration/inflow) total 74.5% in fixed costs from MWRA to all Arlington sewer users. The primary argument in favor of second water meters is that users shouldn't have to pay for water which doesn't go into the sewer, however nearly 75% of the MWRA charge to Arlington is a fixed cost with no direct connection to domestically generated wastewater. Since there isn't a one-to-one match between domestic water consumed and treated wastewater, offering any discount on sewer charges to *some* users neglects to recognize the fixed costs imposed on *all* users.

The recommendation to the Finance Committee is to support a vote of 'No Action' on Article 23. The proposal to establish a second water meter program sends a message to consumers to utilize more potable water for nonessential use. Individuals who utilize less water will be subsidizing those who use more water and encouraging nonessential water use is in conflict with state water conservation standards and contrary to the town's environmental goals.

PUBLIC WORKS DEPARTMENT
TOWN OF ARLINGTON
51 Grove Street, Arlington, Massachusetts 02476
Phone: (781) 316-3108 Fax: (781) 316-3281

Memo to: Brian Sullivan, Town Manager

From: Mike Rademacher, Director of Public Works MWR

Date: October 6, 2011

Subject: Separate Irrigation Meters

Brian-

I have reviewed the Town's current policy not to allow separate water meters for irrigation purposes. This topic was considered in the past by a consultant hired by the Town (Woodcock & Associates, Inc.) in August, 2000. An excerpt from that report is included with this memo. At that time, separate meters were not recommended. In summary, the report states that irrigation is a non-essential use and whether or not separate meters are allowed, the water rates for irrigation use should be set at the highest level for a community. This is due to the fact that water used for irrigation is typically the most expensive to provide as it comes during the peak demand season.

I have reviewed the policies of our surrounding communities, and while many allow separate meters, they all have set a significantly higher water rate for irrigation use. Winchester goes as far as continuing to charge sewer rates for the water used in an irrigation meter. In addition, of the communities contacted, all require the property owner to incur the cost of installing the second meter and some bill a base fee for the separate meter as well.

It is my recommendation at this time that Arlington continue its current policy not to allow separate irrigation meters. By not allowing the separate meters, the Town is in effect achieving the same result as other communities in charging a higher rate for this non-essential use, but without the expense of administering a separate meter program. A change in this policy would reduce revenue (unless rates were adjusted accordingly), require significant administrative effort to roll out, and would hamper water conservation efforts.

Should the Town decide to allow separate meters, time would be needed for analysis and study of the rate structure to ensure our Water and Sewer Enterprise Fund would stay adequately funded. Much of our current revenue is realized during the warmer months and the potential loss of revenue would need to be offset by adjustments to the existing rates.

I am available at any time to discuss this matter further.

Despite the reduction in some costs, the losses due to some projected increases in metered sales recognition and the one time cash flow gain more than offset the savings. While increases in FY 2001 and FY 2002 will still not be needed, the increases in FY 2003 through FY 2005 would be slightly greater than without the fixed network metering system.

With the fixed network metering system, no increase is projected to be needed through FY 2005. The excess revenues in the first two years will offset the losses in later years.

Without the fixed network metering system, a small rate increase of 0.13% in FY 2001 is needed to recover the projected expenses over the five-year period.

MISCELLANEOUS POLICY CONSIDERATIONS

Second Water Meters

As the cost of sewer service from the MWRA has increased over the past decade, many MWRA communities have adopted a policy to allow customers to install a second water meter to measure irrigation uses. Customers that install second meters do not pay sewer bills on the water used for irrigation and can reduce their overall water and sewer bill.

Arlington has decided not to allow the installation of second meters on irrigation uses. We were asked to examine this policy and recommend if any changes should be made.

In looking at this policy there are several considerations that need to be examined. While allowing second meters is perceived by many as a matter of equity – why should I pay sewer bills on water that does not go to the sewers – there are other issues that need to be considered as well.

Many communities that have allowed second meters understand that water used for irrigation purposes is a non-essential use. Irrigation demands often cause the peak water demands in the system and cause local water systems to be designed and operated with sufficient capacity to meet those peak demands. Additional pumping and storage capacity is often needed to meet summer peaks. Consequently, communities are starting to set separate,

higher rates for second meters; setting rates at the highest level to reflect the fact that water used for irrigation is typically the most expensive water to provide.

By allowing second meters, the rates for sewer service to all other customers must be increased to make up the lost revenues. Customers that choose to install second meters are often irrigating larger properties with extensive lawns and/or have large swimming pools to fill. Lower income customers with smaller lots do not find that the cost of installing a second meter is worth the expense. As a result, allowing second meters will tend to shift more of the sewer revenue burden onto lower income customers.

Lastly, customers without second meters often water their lawn or use water for purposes that are not returned to the sewer. In order to treat these customers fairly, customers without a second meter should be provided with some discount for these estimated uses.

It is recommended that Arlington continue to not allow a second water meter. If irrigation uses become too large an issue, it is suggested that Arlington adopt new sewer rates that are based on winter period water use for all customers. With the new fixed network metering system, such a rate structure would be quite feasible.

Winter Water Use Sewer Rates

In many parts of the country, communities have adopted seasonal rates for their water and sewer utilities. One aspect of this is the adoption of sewer rates that are based on winter period water use. Should Arlington switch to monthly billing and meter reading, adopting sewer rates that are based on winter period water use would be appropriate.

Sewer rates that are based on winter water use will exclude most summertime uses that are not returned to the sewer. The best way to do this is to look at three winter months of use and take the average of the three months. This will help reduce the impact of customers that may go away during the holidays or have extra family or relatives return during that period.

Sewer bills throughout the year would be based on the average winter water use. The sewer bill would be fixed for a year and the same each month.

Ref 4

there is an opportunity, I will present the Retirement Budget today. I've attached a few reference documents for that discussion.
These documents were provided by Rich Greco when we met with him a few weeks back.

Documents in attached PDF (all scanned into one PDF that's attached, to be clear):

0. (1) Funding Schedule for Arlington Retirement System prepared by Actuarial Firm – Stone Consulting
0. (2) OPEB Account Statement - Vanguard
0. (3) Retirement Department Operating Budget
0. (4) PRIM Board Update – Dec 2011
0. (5) Arlington Contributory Retirement System – Distribution as of Jan 1, 2011
0. (6) PERAC – Memo for Appropriation for FY 2013
0. (7) Details of budget/costs for 5 non-contributory retirees/survivors

Calendar yr

	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Budget
Salaries					
Board Members (5)	15,000	15,000	15,000	15,000	15,000
Custodian of Funds	3,000	3,000	3,000	3,000	3,000
Staff					
Retirement Administrator	76,491	78,786	81,150	81,150	87,500
Assistant Administrator	47,173	48,588	50,150	50,150	51,666
Overtime, Temp & Election	1,300	1,300	1,300	1,300	1,600
Longevity	800	1,300	1,600	2,400	2,500
Other Expenses					
Telephone	1,250	1,350	1,350	1,000	1,000
Legal	14,000	17,516	17,603	17,600	17,600
Supplies	6,500	7,000	7,000	7,000	7,500
Postage	5,036	10,000	10,500	11,353	12,080
Meetings & Dues	15,500	16,500	16,500	16,500	17,000
Insurance	8,500	9,000	9,500	10,000	11,000
Office Equipment	7,000	7,500	7,500	7,500	9,000
Medical Expenses	700	800	800	800	800
Consultant/communication	15,000	15,000	15,000	15,000	15,000
Consulting & Fees					
Actuarial valuation	25,000	26,000	27,800	28,000	27,600
Investment consulting	68,190	20,000	21,000	20,000	17,500
Health Insurance/Staff	0	31,800	33,000	32,000	32,000
Total					
Actuarial Budget	***310,440***	***310,440***	***319,753***	**319,753**	**329,346**
Investment					
Fixed income	60,000	0	0	0	0
Equity	425,000	0	0	0	0
Alternative investments IV	25,000	25,000	25,000	25,000	20,000
Alternative investments VII	30,000	31,000	35,000	35,000	37,500
Custodian	50,000	15,000	12,000	12,000	12,000
PRIT	0	575,000	575,000	575,000	575,000
Total Investment					
Mgmt Budget	***590,000***	***646,000***	***647,000***	***647,000***	***644,500***
Total					
Operating Budget	***900,440***	***956,440***	***966,753***	***966,753***	***973,846***

Treasurer (salary)

#630 checks going up w/ pension reform

160 checks

remainder direct deposit

newsletter/website

OPEB & town actuarial via Larry Stone

w/ Mccarden overseas OPEB acct + $4.2m for fund

OPEB acct $4.2m (vanguard)

			7/1/2012	Fy 13			12/31/2012
					2012-2013		
First Name	Last Name	Position	Opt.	Weekly	Yearly	Status	Birthday
George	Morgan	P2	58B -poped-up	665.47	$34,604.44	Mem	88
Evelyn	Petralia	N/A	N/A	461.04	$23,974.08	Surv.	93
Catherine	Fahey	N/A	N/A	447.02	$23,245.04	Surv.	91
Alice	Dorrington	N/A	N/A	336.19	$17,481.88	Surv.	89
Lousie	Welch	N/A	N/A	294.57	$15,317.64	Surv.	87
				$2,204.29	$114,623.08		89.60
5 non-contribs						OPEB	
		FY13	*Est. Budget*	*Request*	**$107,123.08**	$392,876.92	
		FY12	Budget	Request	$110,572.28	$389,427.72	
		FY11	Budget	Request	$156,686.92		
		FY10	Budget	Request	$156,686.92		
		FY09	Budget	Request	$173,894.60		
		FY08	Budget	Request	$189,776.79		

Police

spouses of non contrib retiree

, non-contributing retiree.

OPEB is now 4.2m

392876
107123

OPEB

103A 000000000005819 L2 1 7267 46997 0

Vanguard®

Retirement trust account

ARLINGTON OPEB TRUST FUND

Intermediary Services: 800-669-0498

Account overview

$4,263,204.02
Total value of all accounts as of December 31, 2011

Year-to-date income

Taxable income	$129,545.91
Nontaxable income	0.00
Total	**$129,545.91**

Balances and holdings for Vanguard funds

Beginning on January 1, 2012, new tax rules on taxable (nonretirement) mutual fund accounts (excluding money market funds) require Vanguard to track cost basis information for shares acquired and subsequently sold, on or after that date. Unless you select another method, sales of Vanguard mutual funds, but not ETFs, will default to the average cost method. We'll begin reporting cost basis to the IRS in 2013. For more information, visit vanguard.com/costbasis.

Symbol	Name	Fund & account	Average price per share	Total cost	Balance on 12/31/2010	Balance on 12/31/2011
VWEAX	High-Yield Corp Fund Adm	0529-88045469741	-	-	$280,165.46	$457,629.62
VAIPX	Inflation-Protect Sec Adm	5119-88045469741	-	-	334,520.37	687,827.32
VBMFX	Total Bond Mkt Index Inv	0084-88045469741	-	-	278,509.75	611,056.99
VGTSX	Total Intl Stock Ix Inv	0113-88045469741	-	-	960,464.03	1,104,902.22
VTSMX	Total Stock Mkt Idx Inv	0085-88045469741	-	-	1,032,019.61	1,401,787.87
					$2,885,679.22	**$4,263,204.02**

ARLINGTON RETIREMENT SYSTEM

FUNDING SCHEDULE

55% unfunded

discount rate 7.5%

balance ~100m

Fiscal Year	Normal Cost	Unfunded Liability	Funding Amortization of UAL	Schedule Contribution
2013	1,868,548	106,367,517	6,996,296	8,864,844
2014	1,957,304	106,824,062	7,270,617	9,227,921
2015	2,050,276	107,019,953	7,555,694	9,605,970
2016	2,147,664	106,924,079	7,851,948	9,999,612
2017	2,249,678	106,502,541	8,159,818	10,409,496
2018	2,356,538	105,718,427	8,479,760	10,836,298
2019	2,468,473	104,531,568	8,812,246	11,280,720
2020	2,585,726	102,898,270	9,157,770	11,743,495
2021	2,708,548	100,771,038	9,516,841	12,225,388
2022	2,837,204	98,098,263	9,860,192	12,697,395
2023	2,971,971	94,855,926	10,156,179	13,128,150
2024	3,113,140	91,052,229	10,554,301	13,667,440
2025	3,261,014	86,535,273	10,968,029	14,229,043
2026	3,415,912	81,234,786	11,397,976	14,813,888
2027	3,578,168	75,074,571	11,844,777	15,422,945
2028	3,748,131	67,972,029	12,309,092	16,057,223
2029	3,926,167	59,837,657	12,791,608	16,717,775
2030	4,112,660	50,574,502	13,293,039	17,405,699
2031	4,308,011	40,077,573	13,814,127	18,122,138
2032	4,512,642	28,233,205	14,355,640	18,868,282
2033	4,726,992	14,918,381	14,918,381	19,645,374

Amortization of Unfunded Liability as of July 1, 2012

Year	Type	Original Amort. Amount	Percentage Increasing	Original # of Years	Current Amort. Amount	Years Remaining
2004	ERI - Town	38,902	4.00%	19	55,370	10
2004	ERI - Housing	4,102	4.00%	19	5,838	10
2006	ERI2003 - Town	15,910	4.00%	16	20,936	9
2013	Fresh Start	6,914,152	3.92%	21	6,914,152	21

Notes on Amortization of Unfunded Liability

Year is the year the amortization base was established.

Type is the reason for the creation of the base. Examples are Gain/(Loss) or Fresh Start.

Original Amortization Amount is the annual amortization amount when the base was established.

Percentage Increasing is the percentage that the Original Amortization Amount increases per year.

Original # of Years is the number of years over which the base is being amortized.

Current Amortization Amount is the amortization payment amount for this year.

Years Remaining is the number of years left to amortize the base.

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

DOMENIC J. F. RUSSO, *Chairman* JOSEPH E. CONNARTON, *Executive Director*

MEMORANDUM

TO: Arlington Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Appropriation for Fiscal Year 2013

DATE: December 8, 2011

Required Fiscal Year 2013 Appropriation: **$8,864,844**

This Commission is hereby furnishing you with the amount to be appropriated for your retirement system for Fiscal Year 2013 which commences July 1, 2012.

Attached please find summary information based on the present funding schedule for your system and the portion of the Fiscal Year 2013 appropriation to be paid by each of the governmental units within your system.

If your System has a valuation currently in progress, you may submit a revised funding schedule to PERAC upon its completion. The current schedule is/was due to be updated by Fiscal Year 2015.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446 Extension 921.

JEC/jrl
Attachments

cc: Town Manager
Town Meeting
c/o Town Clerk

p:\actuaria\approp\approp13\fy13 for web\arlingtonappop13.doc

FIVE MIDDLESEX AVENUE, SUITE 304 | SOMERVILLE, MA 02145
PH 617 666 4446 | FAX 617 628 4002 | TTY 617 591 8917 | WWW.MASS.GOV/PERAC

Arlington Retirement Board

Projected Appropriations

Fiscal Year 2013 - July 1, 2012 to June 30, 2013

Aggregate amount of appropriation: **$8,864,844**

Fiscal Year	Estimated Cost of Benefits	Funding Schedule (Excluding ERI)	ERI	Total Appropriation	Pension Fund Allocation	Pension Reserve Fund Allocation	Transfer From PRF to PF
FY 2013	$13,724,194	$8,782,700	$82,144	$8,864,844	$8,864,844	$0	$4,859,350
FY 2014	$14,204,501	$9,142,491	$85,430	$9,227,921	$9,227,921	$0	$4,976,580
FY 2015	$14,701,117	$9,517,123	$88,847	$9,605,970	$9,605,970	$0	$5,095,147
FY 2016	$15,214,597	$9,907,211	$92,401	$9,999,612	$9,999,612	$0	$5,214,985
FY 2017	$15,745,512	$10,313,399	$96,097	$10,409,496	$10,409,496	$0	$5,336,016

The Total Appropriation column shown above is in accordance with your current funding schedule and the scheduled payment date(s) in that schedule. Whenever payments are made after the scheduled date(s), the total appropriation should be revised to reflect interest at the rate assumed in the most recent actuarial valuation. Payments should be made before the end of the fiscal year.

For illustration, we have shown the amount to be transferred from the Pension Reserve Fund to the Pension Fund to meet the estimated Cost of Benefits for each year. If there are sufficient assets in the Pension Fund to meet the Cost of Benefits, this transfer is optional.

Arlington Retirement Board
Appropriation by Governmental Unit

Fiscal Year 2013 - July 1, 2012 to June 30, 2013

Aggregate amount of appropriation: **$8,864,844**

UNIT	Percent of Aggregate Amount	Funding Schedule (excluding ERI)	ERI	Total Appropriation
Town and School	95.96%	$8,427,879	$76,306	$8,504,185
Arlington Housing Authority	4.04%	$354,821	$5,838	$360,659
UNIT TOTAL	**100%**	**$8,782,700**	**$82,144**	**$8,864,844**

The Total Appropriation column shown above is in accordance with your current funding schedule and the scheduled payment date(s) in that schedule. Whenever payments are made after the scheduled date(s), the total appropriation should be revised to reflect interest at the rate assumed in the most recent actuarial valuation. Payments should be made before the end of the fiscal year.

ERI - Early Retirement Incentive

December 2011

PRIM Board Update

Massachusetts Pension Reserves Investment Management Board

Global Equities Close Out Year Mixed; Fixed Income Shines

December was yet another volatile month in a turbulent year for global equity markets. The US equity bellwether S&P 500 index finished the year up 2%, while the equities of foreign developed and emerging markets fell 13% and 20%, respectively. Although the economic picture at home brightened as 2011 faded into history, the lingering European debt crisis offset any elation over the direction of the US economy. The fourth quarter of 2011, however, was an outstanding one for US equities, as the S&P 500 returned almost 12%. The developed international equity markets rose 3% while emerging markets gained about 4%. And although the third quarter gross domestic product was revised downward to 1.8% from 2.0%, the US unemployment rate fell to 8.5% in December, its lowest level since February 2009. The debt troubles in the Euro zone drove investors to seek haven in US Treasuries. Yields fell on both 10-year and 30-year Treasury notes as prices rose for the second straight month (the yield moves inversely to the price). US investment grade and high yield corporate bonds also saw gains in December, following a sell-off in November. Long Treasury bonds soared 29.9% in 2011, while the broad fixed income market rose 7.8%. Although US publicly-traded Real Estate Investment Trusts (REITs) rebounded in December, returning 4.8% and ending the year at 8.3%, globally, international REITs struggled in 2011. The global REIT index fell 5.8% for the one-year.

Market Recap – December 31, 2011

Global Equity Markets:*

Domestic Equities:

Index	Month	QTD**	1-Year
S&P 500	1.02%	11.82%	2.11%
Dow Jones Industrials	1.58%	12.78%	8.38%
NASDAQ (Price Change)	-0.58%	7.86%	-1.80%
Russell 2500	0.23%	14.52%	-2.51%

Developed International and Emerging Markets Equities:

Index	Month	QTD	1-Year
MSCI World Ex-US (net divs)	-1.24%	3.03%	-13.01%
MSCI EM IMI (net divs)	-1.21%	3.67%	-19.98%

Fixed Income, High Yield Bonds, Real Estate & Hedge Funds:

Index	Month	QTD	1-Year
Barclays Aggregate	1.10%	1.12%	7.84%
ML HY Master II	2.48%	6.19%	4.37%
NCREIF One QTR Lag	3.30%	3.30%	16.10%
NAREIT Developed (Global)	0.94%	7.36%	-5.82%
HFRI Fund-of-Funds Comp.	-0.31%	0.37%	-4.84%

*Effective November 30, 2011, PRIT's Global Equity Asset Class Benchmark is: 35% S&P 500; 8% Russell 2500; 42% Custom MSCI World Ex-US Net Divs. IMI; and 15% Custom MSCI EM IMI Net Divs.

**QTD = Quarter-to-Date

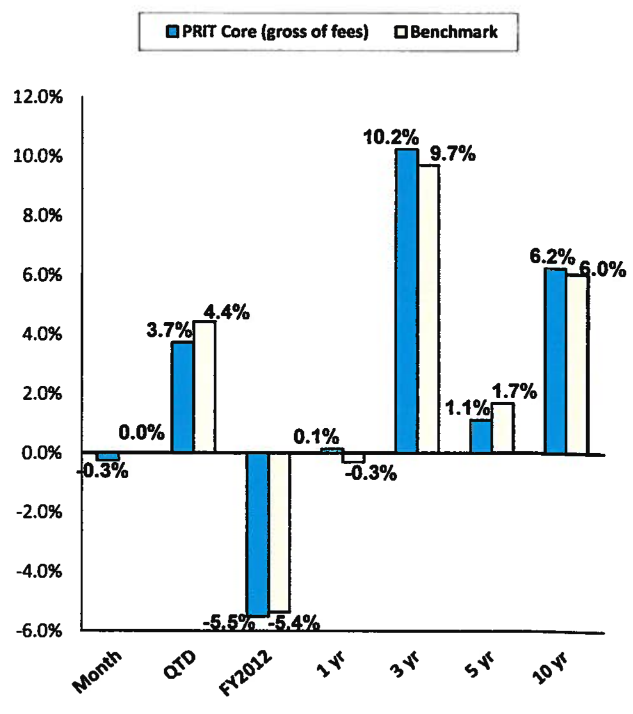
PRIT FUND ASSETS: $47,080,235,000

PRIT Segmentation Recap – December 31, 2011

Portfolio	Month	QTD	1-Year
PRIT CORE Total	**-0.26%**	**3.72%**	**0.14%**
Domestic Equity	0.84%	11.78%	1.09%
International Equity	-1.12%	2.81%	-11.25%
Emerging Mkts. Eq.	-2.03%	-3.63%	-18.86%
Core Fixed Income	1.26%	1.75%	8.10%
Core Real Estate	3.20%	5.30%	11.35%
Hedge Funds (net)	-0.27%	0.73%	-2.73%

Hedge Funds (formerly Absolute Return) are Net of Fees. All other segments are gross of fees. Core Fixed Income (formerly Total Fixed Income) includes TIPS and inflation-linked bonds. Timber/Natural Resources and Value Added Fixed Income (formerly High Yield Debt) sleeves are not available through Segmentation. Private Equity is available to Segmented Systems through the Vintage Year Program.

PRIT Core Fund as of 12/31/11



Senior Client Service Officer
Paul Todisco - (617) 946-8423

ARLINGTON CONTRIBUTORY RETIREMENT SYSTEM
Distribution of Plan Members as of January 1, 2011
Retired Members

police & fire

727 Ξ earnings
past year

Disabled Member

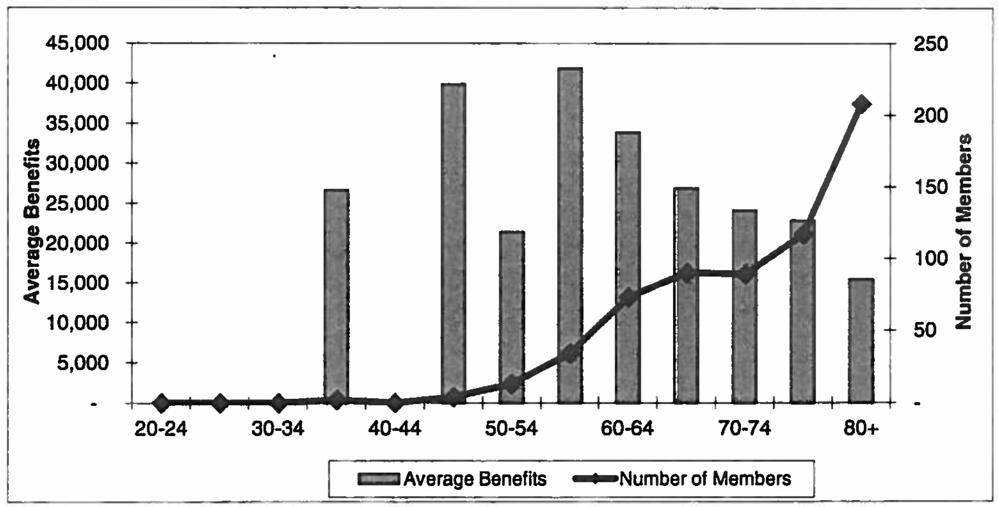
Age	Number	Average Benefit	Total Benefit
20-24	-	-	-
25-29	-	-	-
30-34	-	-	-
35-39	1	51,564	51,564
40-44	-	-	-
45-49	2	50,020	100,039
50-54	6	32,276	193,655
55-59	11	34,227	376,496
60-64	19	35,948	683,008
65-69	17	30,301	515,111
70-74	9	33,438	300,940
75-79	14	29,854	417,952
80+	11	29,443	323,868
TOTAL	**90**	**$ 32,918**	**$ 2,962,634**

Retired Members and Beneficiaries

Age	Number	Average Benefit	Total Benefit
20-24	-	-	-
25-29	-	-	-
30-34	-	-	-
35-39	1	1,674	1,674
40-44	-	-	-
45-49	2	29,723	59,447
50-54	7	11,956	83,693
55-59	23	45,541	1,047,434
60-64	54	33,091	1,786,895
65-69	73	26,040	1,900,907
70-74	80	23,022	1,841,770
75-79	103	21,836	2,249,057
80+	197	14,556	2,867,610
TOTAL	**540**	**$ 21,923**	**$ 11,838,487**

Total

Age	Number	Average Benefit	Total Benefit
20-24	-	-	-
25-29	-	-	-
30-34	-	-	-
35-39	2	26,619	53,238
40-44	-	-	-
45-49	4	39,872	159,486
50-54	13	21,334	277,348
55-59	34	41,880	1,423,930
60-64	73	33,834	2,469,904
65-69	90	26,845	2,416,018
70-74	89	24,075	2,142,710
75-79	117	22,795	2,667,009
80+	208	15,344	3,191,477
TOTAL	**630**	**$ 23,494**	**$ 14,801,121**



Benefits shown are net of State reimbursed COLA.

5

Ref 5

To: **Edward A. Bouquillon,**

Superintendent, Minuteman Regional Vocational School District

CC: **Arlington Board of Selectmen**

From: **Arlington Finance Committee**

Subject: **MINUTEMAN REGIONAL VOCATIONAL SCHOOL BUILDING PROJECT**

Date: March 30, 2012

On Wednesday, March 28, 2012, the Arlington Finance Committee voted to disapprove the enrollment study and Regional Agreement Task Force conclusions, and recommended that the Board of Selectmen do the same. This vote was required by Section 7, Article 58 of the 2010 Arlington Annual Town Meeting.

We have listed below some of our major concerns and positions on the various issues involved in this project.

The Arlington Finance Committee does not recommend the Town pay for a larger school than is reasonably necessary to meet the needs of Minuteman's member towns. A school for 600 students would provide a viably-sized school to meet future needs, but the District currently has only about 400 full time high school students from member towns.

If the Massachusetts School Building Authority determines it is desirable for the District to provide additional seats for non-member students, the state should pay for 100% of the additional cost for a larger school.

Alternatively, the district could attract additional municipalities with significant student populations to join the regional district. The capital costs can then be spread equitably among member towns.

The Arlington Town Meeting Vote on Article 58 of the 2010 Annual Meeting requires that significant changes must be made to the Minuteman School District's Regional Agreement. As to assessments for capital improvements, the Regional Agreement Task Force has made recommendations that will not only help make capital assessments fairer by requiring all members to make a minimum payment, but will also introduce ability to pay as a factor. These changes would also make it much more attractive for other cities and towns to join the District, thereby benefiting all members. However, the Minuteman School Committee has yet to take a vote on these recommendations. These changes are essential to Arlington's support for this project.

In addition to the changes recommended by the Regional Agreement Task Force, the Finance Committee requests action on:

- New and reasonable terms for exit from the agreement (other than through unanimous consent of remaining member towns).
- Voting power proportional to student enrollment (One Town/One Vote is not equitable in light of enrollment and assessment discrepancies among member towns).

The Arlington Finance Committee recognizes the quality of Minuteman's education of our students and the dedication of its teachers and administration. But we have endured a system of assessments by enrollment and school committee representation based on one town/one vote for 35 + years. We are prepared to continue this dialogue until a reasonable solution is reached.